

1 **VIRGINIA TOBACCO INDEMNIFICATION**
2 **AND COMMUNITY REVITALIZATION COMMISSION**

3 701 East Franklin Street, Suite 501
4 Richmond, Virginia 23219
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9 **Special Projects Committee Meeting**

10 Monday, September 16, 2013

11 10:00 A.M.

12
13 Sheraton Roanoke Hotel & Conference Center
14 Roanoke, Virginia
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1 **APPEARANCES:**

2 The Honorable Daniel W. Marshall, III, Chairman

3 Ms. Connie Greene Nyholm, Vice Chairman

4 Mr. Kenny F. Barnard

5 The Honorable Kathy J. Byron

6 Mr. John R. Cannon

7 The Honorable Charles W. Carrico, Sr.

8 Ms. Mary Rae Carter, Deputy Secretary

9 Rural Economic Development

10 Ms. Sandra F. Moss

11 Dr. David S. Redwine, DVM

12 Ms. Beth D. Rhinehart

13 The Honorable Ralph K. Smith

14 Mr. Robert Spiers

15 The Honorable Gary D. Walker

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1 **APPEARANCES: (cont'd)**

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3 COMMISSION STAFF:

4 Mr. Timothy S. Pfohl – Interim Executive Director, Grants
5 Program Administration Director

6 Mr. Ned Stephenson – Deputy Executive Director

7 Ms. Sarah K. Capps - Grants Program Administrator,
8 Southside Virginia

9 Ms. Sara G. Williams – Grants Program Administrator,
10 Southwest Virginia

11 Ms. Carolyn Brigman – Performance Data Analyst

12 Ms. Stacey Richardson – Executive Assistant

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14 SENIOR ADVISOR:

15 Mr. Neal Noyes – Senior Advisor

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1 DELEGATE MARSHALL: I'll call the
2 meeting of the Special Projects Committee to order and I'll ask
3 Tim to call the roll.

4 MR. PFOHL: Mr. Barnard?

5 MR. BARNARD: [no response]

6 MR. PFOHL: Delegate Byron?

7 DELEGATE BYRON: [no response]

8 MR. PFOHL: Mr. Cannon?

9 MR. CANNON: Here.

10 MR. PFOHL: Senator Carrico?

11 SENATOR CARRICO: Here.

12 MR. PFOHL: Deputy Secretary Carter?

13 DEPUTY SECRETARY CARTER: Here.

14 MR. PFOHL: Delegate Marshall?

15 DELEGATE MARSHALL: Here.

16 MR. PFOHL: Ms. Moss?

17 MS. MOSS: Here.

18 MR. PFOHL: Ms. Nyholm?

19 MS. NYHOLM: Here.

20 MR. PFOHL: Dr. Redwine?

21 DR. REDWINE: Here.

22 MR. PFOHL: Ms. Rhinehart?

23 MS. RHINEHART: Here.

24 MR. PFOHL: Senator Smith?

25 SENATOR SMITH: [no response]

1 MR. PFOHL: Mr. Spiers?

2 MR. SPIERS: [no response]

3 MR. PFOHL: Mr. Walker?

4 MR. WALKER: Here.

5 MR. PFOHL: You have a quorum, Mr.
6 Chairman.

7 DELEGATE MARSHALL: Let's go to the
8 approval of the minutes that are on the website. Do I hear a
9 motion for their approval or are there any corrections? I've got
10 a motion and a second. All those in favor say aye. (Ayes.) All
11 right. We'll now go to the new applications.

12 MR. PFOHL: The Commission received
13 21 proposals for the FY14 Special Projects cycle including one
14 that was previously tabled. The projects are listed on the
15 screen and in the Committee's handout as either economic
16 development proposals, which requires regional participation
17 generally and thirteen of those or healthcare projects and
18 eight was submitted and one was withdrawn. The Committee
19 has a \$4 million budget line this year with additional
20 recaptured grant funds boosting that total to more than \$5.9
21 million that's available to the Committee today.

22 Mr. Chairman, if you'd like me to walk
23 through the proposals in any manner, give me the signal.

24 DELEGATE MARSHALL: Let's just walk
25 through them and tell us what the staff recommendations are.

1 MR. PFOHL: I'll try to be brief and then
2 we can drill into these if we need to. First is the Appalachian
3 School of Law, a request for \$814,472 for the Natural
4 Resources Law Center & Clinic, proposal #2766. This is an
5 activity that's anticipated in the School of Law strategic plan
6 and they've undertaken a number of steps to establish the
7 Natural Resources Law curriculum and outreach efforts. The
8 request is a three year proposal primarily to fund new
9 positions, staffing those centers at two locations. One is in the
10 Southwest Virginia Clean Air Research Center that's being
11 built with Commission dollars in Bristol and the second site
12 on the ASL campus. The staff has asked for a feasibility study
13 to determine the depth of demand for these services and
14 appears primarily an opportunity to provide lower cost
15 services to research companies setting up in Southwest
16 Virginia and to serve as a real world experience for the ASL
17 law students. The Center is scheduled to be announced next
18 week at a seminar in Abingdon. It appears that the Center is
19 going to be created without Commission funds and at this
20 point staff is recommending no award.

21 DELEGATE KILGORE: I was going to say
22 I do note also that the staff beyond the feasibility study could
23 present more verification.

24 MR. PFOHL: Yes.

25 DELEGATE KILGORE: Did you talk to

1 them?

2 MR. PFOHL: We have. We asked and
3 received information on the operations of the Center. Their
4 feasibility as is described in the staff report and had a
5 conversation and I should say the School of Law has pointed
6 out that the Bristol Center would be the higher priority of the
7 two sites at this point and that building is not yet open and
8 will not be open probably another ten to twelve months. That
9 may be something we want to take a look at in the future as a
10 supportive or complementary mechanism to the Commission's
11 R&D effort in Southwest Virginia.

12 The second request is the Center for
13 Rural Virginia and this was a project tabled at the May
14 Commission meeting and revised and resubmitted by the
15 Center for Rural Virginia and now focuses on convening a
16 number of sessions across the Tobacco Region in the planning
17 district, education, to take a look at comprehensive economic
18 development strategies and other regional development
19 priorities as a mechanism to report back to the Commission.
20 Staff would point out that the JLARC report in 2011 had a
21 recommendation that the Commission should develop and
22 implement a formal process for biennially collecting input on
23 the economic development priorities of the Tobacco Region.
24 You can read the rest that I quote in your staff report. In
25 effect, the Center would be granted funds to conduct this task

1 as an independent contractor to the Commission, prior to
2 updating the next strategic plan for the Commission in 2014
3 or at some point beyond. The request seeks two years of
4 funding to accomplish these tasks, \$100,000. The staff
5 suggests a one year commitment to gauge the process and
6 progress and that should be a sufficient interim step to build
7 toward a future strategic plan update. Staff recommends one
8 year of funding for \$50,000 for the Center for Rural Virginia.

9 The next request is the County of
10 Franklin Commerce Center Infrastructure Relocation #2760
11 requesting more than \$1.2 million. We would point out that
12 for a number of years in the Special Projects Committee that
13 allowed those Southside applicants that do not have sufficient
14 Southside Economic Development allocation available to them
15 to approach the Commission and the Special Projects program
16 in particular for projects that are given in economic
17 development even if they do not have the typically required
18 three localities participating financially in the project. This
19 project would create a site for a significantly new location and
20 it exceeds the Southside allocation that would be available in
21 the next three months for Franklin County and that allocation
22 is \$298,000. The County understands that available
23 Southside Economic Development funds should be committed
24 to this project, furthermore proffers to request repurposing of
25 a previous Southside grant just shy of \$360,000 that was

1 awarded earlier this year for the same lot. The combination of
2 these two additional sources would effectively reduce this
3 request by \$577,000. Furthermore TROF is a realistic
4 expectation for a project with this job creation and the
5 projected job creation is fifty new jobs and \$30 million of new
6 capital investment less the estimated TROF amount, an
7 apparent need is in the ballpark of \$400,000 to complete the
8 needed utility work. Staff recommends an award of \$400,000
9 contingent on the prospect's commitment to this site.

10 The next project is Friends of Southwest
11 Virginia Strengthening the Craft Economy in Southwest
12 Virginia #2765. It's a \$500,000 request. This proposal
13 returns with essentially the same activity that passed by last
14 year's Special Projects cycle. The latest funding request seeks
15 \$350,000 to purchase retail goods from artisans that will then
16 be sold at Heartwood, effectively giving the applicant an
17 unrestricted gift of \$350,000 once those products are sold.
18 Also, they seek \$60,000 to hire an outreach specialist to
19 develop additional artisan relationships, though the future
20 source of funding this position is unclear. It seeks \$90,000 to
21 redesign and replace retail sales places and fixtures at
22 Heartwood that were just installed just over two years ago.
23 The Commission has assisted the applicant with two reserve
24 and Special Projects grants in the past three years totaling \$1
25 million for marketing and program development. Those

1 balances are winding down now. Lastly, no matching funds
2 are indicated, which would make this an ineligible request. It
3 does not show evidence of required matching funds. Absent
4 the required matching funds, this is an ineligible request and
5 staff recommends no award.

6 The next proposal is Helping Overcome
7 Poverty's Existence, Inc. or HOPE Ministry Center acquisition
8 and renovation. This is a request to purchase a building that
9 HOPE or some other agencies are currently located in in
10 Wytheville. The purchase of the property would not directly
11 increase the agency service, more importantly a positive
12 funding recommendation would set a precedent for
13 purchasing facilities for human service agencies. The
14 feedback on free applications several years go suggested that
15 applicants pursue community development block grant
16 funding. And it is again suggested that they pursue CDBG
17 and other agency funding sources such as USDA, community
18 facilities that may support health and human services. Staff
19 is recommending no award.

20 The Henry County Water Filtration Plant
21 Expansion #2745 requesting \$536,860. The Henry County
22 PSA has initiated plans to increase their Upper Smith River
23 Water Plant from four million gallons per day to six million
24 gallons per day. They're approaching the state mandated
25 usage limit, which would require them to initiate the planning

1 process for expansion. This is an applicant that does not have
2 sufficient access to Southside Economic Development
3 allocation to fully fund this project per allocation of \$165,000
4 and change exists for projects in Henry County. Matching
5 funds would come during the anticipated construction period
6 in 2015. The County is taking a proactive approach to begin
7 design of this expansion before it becomes a critical need to
8 serve prospective new industries at the Patriot Center and the
9 Megasite in Henry County. However, this expansion would
10 also serve residential and non-basic industry commercial
11 needs. Staff has contacted Virginia Resources Authority and
12 confirmed that design costs such as these can be financed in
13 VRA's bond programs. Staff is recommending no award.

14 Next project is Literacy Interactives, Inc.,
15 a nonprofit based in Mecklenburg County requesting
16 \$132,883 for the stabilization and reconstruction of the
17 Patrick Robert Sydnor historic log cabin in Mecklenburg
18 County. As a Heritage tourism project, this request is eligible
19 for the Southside Economic Development grant program.
20 There is nearly \$2.7 million currently available in the
21 Southside Economic Development projects in Mecklenburg
22 County. It lacks the regional participation eligibility threshold
23 for the Special Projects of three or more participating localities
24 with a significant commitment of financial and governance
25 stake in the project. The applicant has succeeded in gaining

1 historic designation for the structure and has worked with
2 Virginia Tech's community design assistance center to
3 complete a business plan and master site plan. Subsequent
4 phases are anticipated including construction of a visitor's
5 center and classrooms for educations although cost estimates
6 that might indicate the size and possibility of future
7 Commission funding requests are not provided. Matching
8 funds are not yet committed. Significant questions exists
9 surrounding the capacity of this recently formed nonprofit and
10 its small closely held board to successfully implement this
11 project and to make a one room log cabin a significant tourism
12 destination with measurable new tourism outcomes. The staff
13 recommendation that this project does not meet the three
14 locality eligibility requirement for Special Projects and staff
15 thereby recommends no award.

16 The Mecklenburg County's request on
17 behalf of the Virginia Growth Alliance Marketing #2748
18 request for \$200,000. You may recall this is one of the
19 regional economic development and marketing efforts in
20 southern Virginia similar to the Southern Virginia Regional
21 Alliance which previously came back to us in May for
22 continuation funding for a second shot of operational funding
23 and that's the case here with the Virginia Growth Alliance,
24 which was previously known as the Commonwealth TransTech
25 organization. VGA seeks Commission assistance to leverage

1 the dollar per capita contributions of the six participating
2 localities, Brunswick, Emporia, Greenville, Lunenburg,
3 Mecklenburg and Nottoway. To retain staff and continue
4 regional economic recruitment marketing efforts for two
5 additional years. Staff notes this proposal includes \$125,000
6 more than half of the requested budgeted amount to contract
7 with a Richmond based consulting group for lead generation
8 and prospect visit services. VGA currently has an available
9 balance in the initial grant award for its startup in 2011. Staff
10 would therefore suggest a partial award to continue
11 organizational support for an additional twelve to eighteen
12 months, at which time the organization's successes and long
13 term sustainability could be better defined and understood.
14 Staff recommends an award of \$100,000.

15 Next is the Ninth District Development
16 Financing, Inc. request for Tourism Loan Fund of \$500,000,
17 this is #2757. This is the first request from this entity that
18 has been managed by People Inc. since its inception nearly
19 twenty years ago. However, the Commission has provided
20 four previous grants totaling more than \$1.8 million since
21 2009 to help capitalize People Inc.'s Commonwealth
22 Enterprise Fund and Southwest Community Development
23 Financing entity. This specific program focuses on businesses
24 that primarily serve tourism visitors, aligns well with other
25 regional efforts such as the Crooked Road Music Trail, Round

1 the Mountain artisan trails, The Wilderness Road, and other
2 regional cooperative efforts. Since it was established in 1994,
3 Ninth District Development Financing has made 26 loans
4 totaling \$4.5 million and ten have been repaid with no
5 defaults. The requested amount is expected to assist five new
6 businesses with 20 jobs created, future requests for
7 operational capital might reasonably be expected. The cost
8 per business and per job presents an opportunity cost for the
9 Commission, specifically is there a current and future desire
10 to grant \$100,000 per business that creates four jobs. Albeit
11 the funds will resolve into new loans at some point, the
12 question remains whether the Commission should commit an
13 additional \$500,000 for this program when other entities also
14 exist to serve similar businesses in the region including People
15 Inc., other lending programs, the Virginia Tourism
16 Corporation Tourism Development Loan Fund, Virginia
17 Community Capital Inc. and the Virginia Small Business
18 Financing Authority. Staff therefore recommends no award.

19 REDC Community Capital Group
20 Incorporated request for \$1,000,000, #2758 for a revolving
21 loan fund for job creation and small business development in
22 Southside Virginia. This is the first Commission grant request
23 from the Richmond based nonprofit. It would serve Southern
24 Virginia with loans and technical assistance, training classes
25 and so forth. The proposal states the requested amount

1 would provide thirty loans and create fifty jobs. Whereas
2 many of the small business lenders cited in the previous staff
3 comments also serve Southern Virginia and the Small
4 Business Finance Authority, Virginia Community Capital, etc.,
5 the region lacks an entity that would serve in the role REDC is
6 proposing, much like People Inc. does in Southwest Virginia.
7 REDC appears to have established partnerships with the
8 Small Business Development Center and educational centers
9 in Southern Virginia to provide sites for entrepreneur
10 development classes. Its use of federal loan guarantees in
11 conjunction with the requested loan funds will reportedly
12 allow REDC to rapidly sell guaranteed loans backed by federal
13 loan guarantees and revolve those sale proceeds into new
14 loans. An initial award to REDC would provide a pilot project
15 period to test demand for small business loans in the region
16 and REDC's success in serving that demand. Staff
17 recommends an award of \$500,000.

18 DELEGATE MARSHALL: Do we have
19 some questions about, who is REDC? Does someone want to
20 come up and talk to us?

21 MR. SHELTON: My name is Randolph
22 Shelton, President and CEO of REDC Community Capital
23 Group. We are based out of Richmond, however over the past
24 year we have along with the group back here, David Smith,
25 who is serving as a consultant and Mr. Collins is Vice

1 President. We've made several trips down to the Danville and
2 Martinsville area as well as covering the Lawrenceville area.
3 We've already made some loans in the Martinsville area. One
4 of the things we do as an organization is that we started back
5 in 1995 and over the years we've expanded our services and a
6 concentration not just on loan products. We do technical
7 assistance and training as well as access to capital. As you all
8 know in this day and time you can't go to the bank and get a
9 loan whether it's five thousand or fifty thousand or two
10 hundred thousand without having at least two years of history
11 and that's where we come in in terms of not only looking at
12 how we can help small businesses and entrepreneurs to
13 create jobs but working with them and helping them grow and
14 emerge as small businesses. With that being said, we've made
15 this proposal so that we can continue to not only work in
16 Lawrenceville and Petersburg areas but to expand and come
17 down to Danville and South Boston and Martinsville. Based
18 on having come down and talked to a number of small
19 businesses and other individuals, the need is there and we're
20 here to help with that.

21 MR. WALKER: Do you anticipate opening
22 up an office?

23 MR. SHELTON: We talked to some of the
24 small business development centers and they offered space so
25 we will have someone coming down for certain days of the

1 week in those areas. Right now we've expanded back and
2 forth to the Lawrenceville area and that's not really that far
3 from where we are, maybe 45 minutes. That's nothing for us
4 considering that we're traveling all around.

5 DEPUTY SECRETARY CARTER: Would
6 this \$500,000 be specific to the Tobacco Region?

7 MR. SHELTON: Yes, just for that area.

8 DELEGATE MARSHALL: What's the
9 average loan size?

10 MR. SHELTON: Depending on the
11 project, in the micro program, the average size loan is under
12 \$20,000, maybe fifteen or sixteen and then emerging
13 companies we're looking probably \$50,000 to \$75,000
14 depending on the need.

15 DELEGATE MARSHALL: Any further
16 questions? Thank you.

17 DELEGATE BYRON: I have a question
18 and just so I understand correctly that the \$500,000 award
19 and I don't know where these numbers come from is spanning
20 a two year period, we will train 95 people and the clients have
21 created 60 viable business plans and technical assistance to
22 300 clients and help 120 small business start and create 50
23 jobs awarded thirty loans totaling \$1 million, is that correct?

24 MR. PFOHL: They indicated in their
25 application at the million dollar requested loan and this

1 recommendation is half assuming those numbers will drop?

2 DELEGATE MARSHALL: Any further
3 questions?

4 MR. PFOHL: Robert Russa Moton
5 Museum Civil Rights in Education Heritage Trail Tourist
6 Center #2761 requesting \$147,000. Currently a Southside
7 Economic Development allocation of \$77,785 exists for
8 projects in Prince Edward County. The Commission had
9 previously supported Moton with grants totaling \$1.4 million
10 including a \$76,000 Southside Economic Development grant
11 for this specific project, which is a parking lot and awarded in
12 May of last year. The project is well matched with committed
13 funds, primarily VDOT enhancement money although any
14 additional outcomes that could be attributed to this request
15 are minimal. Staff therefore is recommending no award.

16 Scott County Economic Development
17 Authority Secure Mountain/Sunbright Underground
18 Technology Park #2756 requesting \$2,270,000. The project
19 was previously supported by a reserve grant of \$20,000 in
20 2010 to study the feasibility of establishing a data center
21 operations in the former limestone mine in Scott County. It
22 presents a unique opportunity to leverage Commission
23 investments in broadband adjacent to the site. Commission
24 funds are requested to install power, lighting and
25 communication infrastructure and construct a second

1 entrance, road networks and site pads, on ground and
2 underground at the site. Full build out is anticipated to
3 include 200,000 square feet of space including 28 security,
4 maintenance and operations jobs, private capital investment
5 of up to \$40 million is anticipated. However, the current
6 proposal seeks 57% of the available special project budget for
7 FY14 to benefit the private property owners and does not
8 include the active financial and governance participation of
9 three or more participating localities that is a requirement for
10 Special Projects eligibility. Matching funds are shown as \$3.7
11 million already expended by the owners to acquire, clean up
12 and prepare the site. TROF program appears to be a better
13 candidate with appropriate job creation and private capital
14 investment performance provisions, to assist this privately
15 owned project in concert with other private and public funding
16 sources that can complete the site preparation. This project
17 does not meet the three locality eligibility requirement for
18 Special Projects, and staff thereby recommends no award.

19 The last project is Twin County Airport
20 Commission Airport Sewer Project #2751 requesting \$75,000.
21 While there is no debate that airports are an amenity that
22 support economic development, airport projects are
23 specifically included in the list of the Commissions low-
24 funding priorities. That was adopted about a decade ago. At
25 this time there are no direct measurable economic outcomes

1 in terms of jobs and private investment. This modest and
2 well-matched funding request appears to be within the
3 capacity of the local government, airport authority and county
4 PSA to complete without Commission assistance. Staff is
5 recommending no award.

6 DELEGATE MARSHALL: Before
7 healthcare, let's take the projects. Any questions as far as
8 economic development and any questions on the ones that
9 staff is recommending?

10 SENATOR CARRICO: I have a question
11 about #2756.

12 DELEGATE MARSHALL: Yes?

13 SENATOR CARRICO: I see where it says
14 not eligible because of three locations involved. What amount
15 would they be able to qualify for?

16 MR. PFOHL: In this round or another
17 round?

18 SENATOR CARRICO: In any part?

19 DELEGATE MARSHALL: In Special
20 Projects they don't qualify other, maybe it's another
21 committee.

22 SENATOR CARRICO: Then they could
23 apply to another Committee and they'd be eligible other than
24 Special Projects?

25 DELEGATE MARSHALL: Maybe TROF

1 and Southwest Economic Development.

2 DR. REDWINE: To expand on the
3 Senator's question, or asking it in a different way, what
4 amount would three localities have to step up with in order to
5 make this project qualify for this Committee?

6 MR. PFOHL: There's no hard and fast
7 rule.

8 DR. REDWINE: Is there a next level?

9 MR. PFOHL: There's no hard and fast
10 threshold and folks have tried to argue the regional
11 participation with a few thousand dollars of contributions. We
12 would argue that probably the best model for regional
13 participation would be revenue sharing agreements between
14 three localities. Much like the regional industrial facility
15 authority and sharing the cost and revenue generated by
16 regional and industrial parks. And I would suggest that's
17 probably the strongest model to look at.

18 DELEGATE MARSHALL: Any further
19 questions?

20 DEPUTY SECRETARY CARTER: I have a
21 question about when we were in South Hill, you had someone
22 transition for them to work on workforce issues.

23 MS. MARTIN: Good morning. I'm Kristi
24 Martin, the executive director of the Center for Rural Virginia.

25 DEPUTY SECRETARY CARTER: During

1 that presentation, we had a lot of questions and I went back
2 through the minutes and it was my understanding through
3 the minutes that they were going to come back with a more
4 revised application and one that the staff could look at. Now,
5 we have a totally new application and I don't understand why
6 or what changed.

7 MR. PFOHL: I can tell you the new
8 application is less focused on workforce issues and more
9 targeted at a series of meetings with planning district
10 commissions and other regional entities and focused on
11 regional economic development. We got the application
12 September 5th and we emailed it to your Committee last week.
13 It's a different proposal and a little more this time focused
14 and still relatively new to us.

15 DEPUTY SECRETARY CARTER: Can you
16 tell us what it is you want to do? I don't understand what the
17 outcomes are.

18 MS. MARTIN: Yes. The goal here is to
19 work with the economic stakeholders throughout the Tobacco
20 Commission footprint. Economic development directors are
21 working with various organizations and planning district
22 commissions, community colleges in addition to Higher
23 Education Centers throughout the footprint to gather valuable
24 information about their planning and their economic
25 development needs and then that can be assessed and

1 provided back to the Tobacco Commission through a reporting
2 structure to help you plan your future strategic planning and
3 that helps you make decisions about funding throughout the
4 Tobacco Commission area. That would give you a better feel
5 of what those needs are and a direction to which planning
6 district commissions and economic development organizations
7 are focusing on.

8 DEPUTY SECRETARY CARTER: Maybe
9 I've missed something or maybe I've missed a meeting but as I
10 understand it the Tobacco Commission requested this.

11 MR. PFOHL: No, what we have done is
12 work with the Center to try to identify activities that would
13 meet with our needs and their interests. We felt like this was
14 one of the possibilities to be responsive to the JLARC report to
15 provide an independent source organization that can go out
16 and solicit opinions and ideas and strategies without asking
17 the planning districts and the regional economic development
18 folks to tell their grant makers to their face and people like us
19 operate. It gives us an opportunity to get some valid input as
20 to what the strategies are in the region.

21 DELEGATE MARSHALL: The
22 recommendations are still one year funding.

23 DEPUTY SECRETARY CARTER: I
24 understand that but I'm looking at the little money these
25 projects have. My personal opinion is I'm trying to justify in

1 my mind if indeed they need this money and I understand the
2 staff is interested in helping them. I understand that you
3 would have an RFP and contract this out?

4 MS. MARTIN: At first the, at least or
5 from my perspective to work with the staff to develop the
6 criteria and models and what questions to be asked and that
7 sort of information and work through these projects. If there
8 comes a time when there's a need for additional assistance
9 after speaking with various people there might be a possibility
10 to contract out with someone.

11 DEPUTY SECRETARY CARTER: If the
12 Tobacco Commission feels this is something that needs to be
13 done, I personally hope instead of having the Center for Rural
14 Virginia that we would contract it out; that's important.

15 DELEGATE BYRON: It seems to me in
16 trying to find out how many people do we have right now doing
17 work? I know there are various people that are out on behalf
18 of the Tobacco Commission that are out doing work within the
19 Southside.

20 MR. PFOHL: There are two CCAM
21 positions; we heard from in May in South Hill and recently
22 selected a workforce development director who is not yet on
23 board. We no longer have a relationship with Troutman
24 Sanders and the indemnification program ended.

25 MR. NOYES: We don't have a

1 relationship with, he's working with Joe Amwall.

2 DEPUTY SECRETARY CARTER: Does he
3 work with CCAM?

4 MR. NOYES: One will begin October, a
5 two month wrap up for that person possibly three.

6 DELEGATE BYRON: So either one of
7 those, would that be part of their duty?

8 MR. NOYES: No.

9 MR. PFOHL: In fact, the previous rural
10 Virginia proposal probably would fall on the CCAM workforce
11 development director and his role. They moved away from
12 that.

13 DELEGATE MARSHALL: Any other
14 questions about this application? I think we have some more
15 people in the audience that want to speak about the ones that
16 were not approved. In this Special Projects we have economic
17 development and the next part of it is healthcare. You can
18 come up and tell us what your application is.

19 DR. REYES: Good morning, I'm Dr.
20 Angelita D. Reyes. I'm here with my sister Bernice Reyes-
21 Akinbilege.

22 DELEGATE MARSHALL: Which
23 application is this?

24 DR. REYES: This is number 2764, the
25 Literacy Interactives, that is the Stabilization and

1 Reconstruction of the Patrick Robert Sydnor historic log cabin,
2 Mecklenburg County, Virginia. I'm one of the members of the
3 board of directors and we're speaking about the
4 reconstruction of the cabin. This is basically this project, one
5 of the foundations for economic development and
6 revitalization in this area of Southside. We're coming at you
7 through the back door because the front door because our
8 community and the guidelines for education. The front door
9 of course is economic development. What we did not
10 obviously present in the proposal the economic side. The
11 economic side of this project would bring jobs to the town
12 short term but the long term. The short term jobs will be the
13 construction of the cabin. The construction jobs would
14 amount to approximately six to seven people minimum and
15 maximum involving this probably twenty people. We're
16 anticipating that this Commission would contribute with other
17 grant money specifically in the proposal. We asked to do some
18 fundraising involving the construction and that's the initial
19 project. The second part of the project is concerning
20 sustainability of the workers. We're anticipating a minimum
21 of four workers to maintain the project involving caretaking of
22 the project as well as other aspects.

23 DELEGATE MARSHALL: Ma'am, it's a
24 little confusing for the public here; we play this baseball game
25 all the time so we understand the rules. One of the rules of

1 this committee is you have to at least have three localities to
2 be eligible to get funding from this Committee here that is
3 Special Projects. There's another Committee called the
4 Southside Economic Development Committee that you
5 probably would need to go to Mecklenburg County to see if
6 they would endorse your project. Currently there's an
7 allocation for Southside and Mecklenburg County has \$2.7
8 million and you could go back to them and ask the county
9 government I assume to make applications through them.
10 You still get money from the Tobacco Commission if it's
11 accepted but not through this Committee.

12 DR. REYES: When you talk about the
13 three localities, does that mean localities that would give
14 additional funding or letters of support?

15 DELEGATE MARSHALL: Mainly funding
16 and letters of support would –

17 DR. REYES: It just wasn't clear to me
18 and in the application because I did approach at least one
19 locality and we were told there was conflict of interest so we
20 were not clear about the meaning of the three localities.

21 DELEGATE MARSHALL: We'll probably
22 have another round of applications for Southside Economic
23 Development. The Chairman is right back there; that's the
24 guy you want to hit. Raise your hand, Ed. We'll probably
25 have a round this fall and another meeting in early January,

1 so you need to speak to Ed from Halifax County.

2 DR. REYES: Thank you for your
3 consideration.

4 DELEGATE MARSHALL: Anyone else
5 wish to speak?

6 MR. FORESMAN: Good morning, Mr.
7 Chairman, I'm George Foresman. I'm the president of Secure
8 Mountain. Thank you all for taking the time to review the
9 application. The question I'd pose to the Committee is the
10 context of the staff recommendation, is there any counseling
11 or guidance on the direction we should follow the TROF letter
12 for Southwest Virginia from the Committee standpoint? The
13 reason I ask the question is I understand the requirement for
14 three localities. This is a regional initiative and I recognize the
15 fact that the context of the specific application rules that we
16 meet and bring in additional funding from communities
17 outside of Scott County but certainly it will have a regional
18 impact not only in the adjacent jurisdictions but I think
19 through all of Southwest Virginia.

20 Given the size of the market and the
21 number of potential customer clients that we're facing in the
22 future, we'd like to have a little bit of specificity in terms of
23 time frames we might expect review under other Committees
24 so we can move this project. This is a great opportunity for
25 economic development in Southwest Virginia. We're just

1 anxious to understand what if any Tobacco Commission
2 support we might be able to get.

3 DELEGATE KILGORE: I think both of us
4 that have toured the facility agree there's a lot of promise here
5 and a lot of opportunity. I think what I would suggest and in
6 talking to Senator Carrico earlier that if there's a possibility we
7 refer this to Southwest Virginia and possibly the TROF
8 Committee award at some point. I think we can take some of
9 this Secure Mountain request to Southwest coupled with
10 TROF, a possible TROF award.

11 MR. STEPHENSON: George and I have
12 talked about it and we have run preliminary TROF numbers
13 on this. The TROF model does not support anywhere near the
14 dollars that George is seeking. It does provide some. The
15 Southwest budget relative to the number of requests is also
16 challenging and that would take a very large portion of that
17 Southwest budget.

18 DELEGATE KILGORE: That's probably
19 the best hope so I'm asking that we refer this to the
20 Southwest, maybe not the next meeting but after that and
21 then maybe at the next meeting we could and we'll work with
22 Ned on the TROF, we can work on those numbers.

23 DELEGATE MARSHALL: So I'm hearing
24 a motion from Chairman Kilgore and a second from Senator
25 Carrico to refer this to Southwest Economic Development?

1 Any further discussion? All those in favor say aye. (Ayes.)

2 Opposed? (No response.)

3 MR. FORESMAN: Great, thank you very
4 much.

5 UNIDENTIFIED: Good morning members
6 of the Commission. I'm referencing project #2745, the Henry
7 County Water Filtration Plant Expansion. First of all, we want
8 to thank you for your time and energy allowing me to be here
9 today and also the interaction with your staff is extraordinary
10 and they do a great job and there's a couple of things I want to
11 clarify about some of the staff comments on the project. We
12 anticipate very little residential growth on this project. What
13 we're trying to target and it was referenced earlier, the Mega
14 Site or Mega Project capacity we have in Henry County. We're
15 targeting certain industries for that site, among those
16 industries are heavy water users, plastics who would access
17 those sort of things. If we expand our water plant, it would
18 allow us to keep those projects when they come to the table
19 and when it comes to fruition. We hope any residential growth
20 comes after that with new companies and new expenditures in
21 our community, hopefully that would increase the presence of
22 the population. We targeted certain industries that are heavy
23 water users.

24 As you know, the Department of Health
25 requires an updated plant whenever you reach eighty percent

1 capacity and at this point we're approaching that. Again, I
2 just want to, I believe we're in the 73 range but again we want
3 to thank you for these opportunities. We've worked well with
4 you guys and I hope you note that we'll work well with
5 anybody and we want to shake all the trees we can to get the
6 project moving and advancing our county. We appreciate your
7 time and working with us, if you have any specific questions of
8 the project, I'd be glad to answer them.

9 DELEGATE KILGORE: Any questions?
10 All right. I saw some other hands, yes sir, come on up.

11 MR. KEGLO: Good morning. I'm Angie
12 Keglo, project 2763, HOPE Ministries Center. I appreciate the
13 opportunity to speak to the Committee today and I wanted to
14 respond to some comments made by staff. I want to call to
15 your attention our project is well-matched. We have 57% of
16 the funds at hand and we serve seven different localities and
17 some nonprofits and six localities in Southwest Virginia. To
18 the question raised by your staff, we work with health and
19 human services. We do projects that are done elsewhere in
20 the Commonwealth. Human service provided for, we know
21 this is a distressed economy and in Wytheville on Main Street
22 we have a dozen transitioning from a foundation of agriculture
23 to manufacturing to a service economy and that has
24 decimated many southwestern communities, the lack of it.
25 On Main Street it serves as a source of hope for those

1 confronting today's challenges. We know there's some home
2 for today trying to meet those challenges. Many plant
3 managers and there are services that are offered at HOPE,
4 housing, medical, transportation, etc., etc. As far as other
5 points raised by the staff, we're asking that consideration be
6 given for a match and a successful match is available for
7 broad economic stimulus in southwest Virginia. Thank you.

8 DELEGATE MARSHALL: Any questions,
9 thank you, sir. Do I see any other hands?

10 MR. CALDWELL: Good morning, Mr.
11 Chairman. My name is Dan Caldwell, counsel to the Natural
12 Resources Law Center. That's application 2766. We
13 appreciate the opportunity to submit this application. We're
14 thankful to Sara Williams for her help in guiding us through
15 this. We do have one point of clarification. The staff
16 comments at the bottom of page three, the application, the
17 ALS application states that the center legal seminar on
18 September 23rd. We would amend that sentence if we could to
19 say that the program will be announced. ASL has been
20 establishing a Natural Resource Law program for some time so
21 the program is seven components, the curriculum Natural
22 Resources Law certificate will be awarded to students who
23 comply with the curriculum requirements for a masters in
24 legal studies and certain CLE courses symposium and our
25 first one will be a week from today. The governor's first

1 biennial Natural Resources Law Symposium in Abingdon,
2 Virginia at the Education Center. And then the sixth and
3 seventh components of the program will be the center and the
4 clinic. We certainly agree the program will be announced at
5 the symposium next Monday. We certainly agree that our
6 program will proceed with or without that Tobacco
7 Commission funds. The curriculum certificate master's CLE
8 courses, the symposium, all of that definitely will proceed
9 without Tobacco Commission funding. It is not necessarily
10 true that the Center and the clinic will proceed without
11 Tobacco Commission funding and what we seek with the
12 Center and clinic is physical space, staffing and equipment.
13 With that one clarification, thank you again for your time and
14 consideration.

15 DELEGATE MARSHALL: Let's see if we
16 have any questions.

17 DELEGATE KILGORE: To do a feasibility
18 study, we can see what we can do, what monies would be
19 available.

20 MR. CALDWELL: We've never requested
21 a feasibility study, we could certainly supply that option.

22 DELEGATE KILGORE: That's why I
23 asked; I wanted to work more with the dollar amount.

24 MR. CALDWELL: We can certainly see
25 that option.

1 DELEGATE MARSHALL: Thank you.
2 Any more questions? Anyone else? Seeing no one, let's take
3 the applications for economic development. Anyone want to
4 make a motion? The ones we wanted to take on the staff
5 recommendations or on the economic development proposals.

6 SENATOR CARRICO: I move we approve
7 the staff recommendations for economic development.

8 DELEGATE MARSHALL: We have a
9 motion and a second?

10 DEPUTY SECRETARY CARTER: I'd like
11 to pull application 2790.

12 DELEGATE MARSHALL: You want to
13 pull application 2790 Center for Rural Virginia. All right, do
14 we have a motion excluding 2790.

15 MR. STEPHENSON: Mr. Chairman, for
16 clarity purposes, #2756 will not be as recommended but
17 instead be referred to Southwest.

18 DR. REDWINE: I'll second the motion.

19 DELEGATE MARSHALL: I have a motion
20 and a second to approve staff recommendations on economic
21 development. Any questions? Any discussion? All those in
22 favor say aye. (Ayes.) Opposed? (No response.) All right.
23 Now we have application 2790, do I have a motion to accept
24 2790? Do I have a second on that?

25 SENATOR CARRICO: Second.

1 DELEGATE MARSHALL: Any questions
2 or comments? All those in favor of approving 2790 Center for
3 Rural Virginia, say aye. (Ayes.) Opposed? Those that are
4 opposing, would you raise your hand. All right, we've got
5 three nos. All right, let's move on to the healthcare proposals.

6 MR. PFOHL: Mr. Chairman, for the
7 record, those members that were not here when we conducted
8 the roll call, Mr. Barnard, Delegate Byron, Senator Smith and
9 Mr. Spiers are here so we have 100% attendance.

10 We're back on page fourteen. We'll go
11 down the list of healthcare proposals. By way of introduction,
12 last year you recall that the Committee adopted healthcare as
13 an eligible pool of requests for response to the strategic plan
14 we adopted in 2012. Your Committee specifically identified
15 telemedicine projects and cancer research projects as a
16 priority within healthcare. We have eight proposals that were
17 submitted. The first one is from Carilion Franklin Memorial
18 Hospital, it was withdrawn by the applicant and that one is no
19 longer part of our discussion today.

20 The next two projects were submitted by
21 Region 200 Research Institute which does business as Center
22 for Advanced Telemedicine and Engineering and Research.
23 The first one is Advanced Telemedicine Application using
24 Broadband Wireless Infrastructure. This request proposes
25 that CAER would contract with Virginia Tech's Wireless VT

1 Center for nearly \$300,000 to develop software, investigate
2 technologies and build telemed applications for commercial
3 smart devices. That's so wireless medical devices could talk to
4 one another and transmit data within healthcare facilities.
5 CAER would also contract with Centra Health systems to
6 collaborate with Wireless@VT and the center contract proposed
7 just under \$162,000 a year and provide a neurosurgeon as
8 medical liaison to provide IT services and program
9 coordination. In this demonstration phase, an estimated 56
10 neuroscience patients in Centra's Farmville facility will be
11 treated via telemedicine links to Centra's main hospitals in
12 Lynchburg. There are future phases although no cost
13 estimates are provided to expand this technology to Centra's
14 entire southern Virginia service area. The wireless medical
15 device field is seen as a lucrative market that has attracted
16 significant investment and innovation from companies and
17 around \$127 billion in sales annually. It's a field that has
18 attracted significant investment and innovations from such
19 companies such as Qualcomm, which you've seen on
20 commercials now about some of their wireless medical
21 devices. Significant attention from federal regulators
22 concerned about security of healthcare data. The software
23 and applications VT hopes to develop are intended to be open-
24 source meaning that the Commission is being asked to fund
25 the entire cost of developing technologies that would

1 ultimately be available for free worldwide. Matching funds are
2 entirely in kind from sources that would also receive grant
3 funds, including waived indirect charges from VT and Centra
4 and donated staff time from Central and CAER. No mention is
5 made of cash contributions from foundations associated
6 directly with VT and Centra or with the other private
7 foundations or federal grant programs. The Commission staff
8 has suggested that if this type of project was successful
9 obtaining public and/or private matching funds, was vetted to
10 assess the current competitive landscape for development of
11 wireless medical communications, and structured to lead to
12 commercialization of software and applications development
13 by a Tobacco Region based private entity, this could be a
14 viable candidate for the Commission's R&D program. The
15 staff recommends the project be revised and resubmitted to
16 the R&D program.

17 The second request also from the
18 Research Institute is Creating an Internet Based and Access
19 Ready Continuum of Mental Health Care, a request for
20 \$326,000. The partnership company with Theralive, which is
21 intended to be for profit with aspirations to create a
22 counseling and referral call center based on the edge of the
23 Tobacco Region in Bedford County adjacent to Lynchburg. A
24 private line of credit is listed among matching funds, along
25 with in-kind waiving of the company principal's salary and

1 waiving of lease costs for the space at the proposed call center
2 site that is owned by the principal's family member. The call
3 center would serve as an operation for people in mental health
4 crisis to intervene in that process and then directing services
5 in their region. The company's principal whose education and
6 work experience is in the mental health field intends to apply
7 in December for National Institute of Health funding that
8 reportedly has a six to twelve month turnaround. Staff
9 suggests that NIH vetting may provide validation of the need
10 and demand for these services prior to making a Commission
11 funding decision. Absent that external and independent
12 vetting, this appears to be a somewhat risk-oriented
13 investment akin to venture capital for an early stage startup
14 company. Proposed partnerships with universities and
15 hospital systems are still in the discussion stage and staff
16 further suggests that additional defined commitments by area
17 colleges and healthcare systems would make a stronger
18 regional collaboration and could assist in generating
19 additional commitments of funds from regional and national
20 foundations, including potentially the Centra Health and
21 Virginia Healthcare Foundations, which have had preliminary
22 discussions with the company principal. If an award is
23 considered at this time, staff would recommend that CAER
24 hold a secured interest in the company and any proprietary
25 intellectual property to protect against future sale of the

1 enterprise. With additional project development, this could be
2 a candidate for future funding consideration. Staff
3 recommends no award.

4 The next request is from St. Mary's
5 Health Wagon, Expansion of Primary Health Care and
6 Telemedicine Services #2656 requesting \$137,500. This is a
7 proposal where you received back in February. It seeks funds
8 to replace an existing local van. And the new unit will have
9 two exam rooms and will be internet equipped for telemedicine
10 purposes. The current van is reportedly failing structurally
11 from years of traversing the Southwest Virginia mountains. It
12 also proposes to add two new mobile sites that are not
13 specifically named. This proposal appears to be focused on
14 general access to healthcare services with use of telemedicine
15 capabilities linke to UVA, which provided a letter of support.
16 Accordingly, it offers benefits to a large number of patients in
17 six coalfield counties on a wide array of health issues
18 including diabetes, cardiovascular, hypertension, etc. Revised
19 outcomes are listed as 3,000 unduplicated patients in year
20 one, an increase of 500 from the current baseline year.
21 Matching funds since the proposal was committed are now
22 committed in the amount of \$160,000 from three foundations
23 and a USDA grant leaving a shortfall of nearly \$70,000 from
24 the revised purchase quote of \$227,500, in addition to
25 \$15,000 of delivery and vehicle prep expenses. Staff

1 recommends an award of \$85,000 for the St. Mary's project.
2 St. Charles Health Council requests
3 \$845,000 for the Jonesville Family Health Center, #2762.
4 This is to construct a new facility for the St. Charles Health
5 Council which does business as Stone Mountain Health
6 Services and they're located in Lee County. They have
7 received a commitment of \$5 million of federal grant funds to
8 build a new and larger clinic elsewhere in Lee County. The
9 applicant has provided an annual operating budget for the
10 specific element of what they're requesting here, primarily a
11 request to purchase equipment for an x-ray suite to conduct
12 mammography, ultrasound and visual x-rays, lung cancer
13 screening. The operating budget for the x-ray suite is
14 \$300,000 annually and the breakeven point is 4400
15 unduplicated patients annually. However, this request seeks
16 20% of the budget of Special Project funds for equipment that
17 will not be needed for a year or more while the proposed new
18 facility is being built and that's funded with that federal grant.
19 The applicant states that construction of the building will
20 begin in December and conclude in December of 2014. Other
21 grant proposals for nearly a million dollars of other buildout
22 costs, including site prep, utilities and furnishings have not
23 yet been submitted or approved. The intent to offer
24 mammography services can be more affordably and effectively
25 offered on a regional basis by the UVA mobile mammography

1 van discussed in the next proposal. Independent verification
2 of the projected demand for x-ray services should be provided
3 during the building construction period. And a future
4 resubmission to the commission with additional fundraising
5 commitments remains possible in next year's cycle. The staff
6 will note that as of last week it was announced that the Lee
7 Regional Medical Center has been announced for closure in
8 October of this year and we will point out that that is a
9 significant aspect of the St. Charles Health Council's request
10 to establish this new facility in Lee County.

11 Moving on University of Virginia,
12 Improving Working Women's Health in the Tobacco Region
13 through Telemedicine, request for \$927,792.78. I'll kick in the
14 extra 22 cents and round that off. UVA has received three
15 healthcare project grants since 2008 totaling \$2.3 million
16 including two grants for cancer research and telehealth a year
17 ago that have remaining balances of \$1.2 million. The current
18 request is expected to serve 495 mammography patients an
19 increase of 220 over current services by 2016 as well as 300
20 neonatal and high-risk obstetrical patients, an increase of 100
21 in three years. The request would provide quipment for
22 replacement of the university's current local mammography
23 van that's more than a decade that's more than a decade old
24 and also suffering from repeated trips from Charlottesville to
25 the mountains of Southwest Virginia. A new van will be

1 equipped with tomosynthesis capability that will be new to the
2 Tobacco Region and two research studies conducted as part of
3 this effort will evaluate the use of this technology to improve
4 breast cancer outcomes. Two research studies conducted as
5 part of this effort will evaluate the use of this technology to
6 improve breast cancer outcomes. The target area for clinics
7 participating in the perinatal telehealth project is Southern
8 Virginia and specifically Danville, Martinsville, Henry and
9 Pittsylvania. Commission funds are requested for personnel
10 \$431,000 plus, equipment \$364,000 plus, contractual
11 services and supplies \$125,000 and materials. All matching
12 funds are listed as in hand, the majority of the positions are
13 based in Charlottesville but the applicant states that the
14 percentages of personnel time to be paid from Tobacco funds
15 will be entirely focused on studies and efforts conducted
16 within the Tobacco Region. Staff recommends an award of
17 \$927,793. Just so you know, this roughly nine hundred and
18 some thousand breaks out almost fifty/fifty between the
19 Southwest Virginia mammography and cancer research and
20 other Virginia telehealth perinatal and neonatal.

21 Moving on, Virginia Commonwealth
22 University Working to Achieve a Cancer-Free Virginia
23 requesting \$3 million. This was initially a nearly \$10 million
24 and it's been reduced to \$3 million for essentially the same
25 purposes for a one year period. The Commission has

1 previously provided more than \$3.7 million to Massey in three
2 grants since 2009. Balances of nearly \$1.5 million remain
3 available from those grants, including more than \$1 million in a
4 grant awarded three years ago, so the clock is running on that
5 one. While the original two year request obviously exceeded
6 the available balance for the Special Projects program, ongoing
7 dialog with Massey has resulted in a revised proposal for \$3
8 million, one year funding commitment from the current cycle.
9 Objectives and budgets remain materially the same as stated
10 in the applicant's project description that's in your document
11 and Massey has indicated its intent to reapply for like
12 amounts in each of the next four subsequent years. Massey
13 also requests that this grant be made similar to state
14 appropriation that would not be subject to the Commission's
15 policy of reimbursement of eligible and verified project
16 expenses. The requested activities appear to result in
17 approximately have of the requested funds being spent at
18 Massey's Richmond base, one-quarter to be spent for clinical
19 studies and projects in two Tobacco Region health districts,
20 Pittsylvania/Danville and Southside, and one-quarter of the
21 expenditures at two health districts outside the Tobacco
22 Region, peninsula serving Newport News/Williamsburg area
23 and Rappahannock, which encompasses Fredericksburg and
24 four surrounding counties. Should the Commission
25 recommend an appropriation-style transfer of funds, staff

1 suggests this can be accomplished via the interagency transfer
2 process IAT but should be a stated condition of the award in
3 recognition of this one-time exception to the Commission's
4 long-standing reimbursement policy. Regarding the use of
5 funds in the two non Tobacco Commission health districts,
6 staff suggests that two options would be to reduce an award
7 by the amount budgeted for those activities, approximately
8 \$750,000 or to make a full award conditioned upon the use of
9 all funds either in the Tobacco Region or solely at Massey's
10 Richmond base. Now, we've cited the legislative changes
11 enacted in 2012 by the General Assembly that makes eligible
12 for the use of Commission funds quote scientific research
13 performed at one of the Commonwealth's National Cancer
14 Institute designated research institutes designated to advance
15 the treatment and prevention of cancers that directly impact
16 the citizens of tobacco dependent communities throughout the
17 southside and southwest region of the Commonwealth. That
18 does not specifically enable the use of Tobacco Commission
19 funds in regions other than Richmond and Southwest and
20 calls for funds to directly benefit citizens of the Tobacco
21 Region. As such, staff recommends an award of \$3 million
22 with all funds to be transferred via IAT subject to specific
23 approval of full Commission for an exception to
24 reimbursement policy for a one-year project period to be used
25 by VCU Massey Cancer Center only within the Tobacco Region

1 and at its Richmond base with all unspent funds to be
2 returned to the Commission at the conclusion of the project
3 period.

4 Moving on to the final project in the
5 healthcare round. Wellmont Foundation doing business as
6 Wellmont Health System Level One Heart Attack Network,
7 Southwest Virginia Phase II #2746 requesting \$200,000. This
8 is the second Commission funded phase of this project to
9 equip Southwest Virginia emergency responders with ECG
10 equipment following on a \$200,000 Special Projects grant a
11 year ago. The equipment funded under that grant was fully
12 deployed to Dickenson, Lee, Russell and Wise Counties in
13 early 2013 and had transmitted more than 700 EKGs in the
14 first six weeks of use. The requested equipment will ;primarily
15 serve responders in Tazewell, Smyth, Washington and Wythe
16 Counties and is projected to serve 6,000 patients annually
17 and transmit 1800 tests to STEM1 hospitals. A third request
18 in a future year is anticipated to fully serve all responders in
19 the region contingent on Wellmont's ability to raise additional
20 required matching funds. The matching funds in this phase
21 are in hand and committed and the previous grant has
22 demonstrated immediate verifiable results using telemedicine
23 or more accurately telecommunications to serve hundreds of
24 Southwest Virginia residents facing potentially deadly or
25 debilitating illnesses. Staff recommends an award of

1 \$200,000. That completes the healthcare portion.

2 DELEGATE MARSHALL: Any questions
3 on these projects, the healthcare proposals?

4 MS. NYHOLM: 2749, I'm having a little
5 difficulty understanding the staff's recommendation in the
6 award of \$3 million on the IAT and we're given two choices
7 that we want are 750 then the money would get reallocated
8 back to Richmond?

9 MR. PFOHL: The conversation we had
10 with them is that because there's a dollar for dollar matching
11 requirement on all healthcare proposals Massey is willing to
12 use their matching funds for health districts that are outside
13 the Tobacco Region if you're willing to accept those as
14 matching funds.

15 MS. NYHOLM: If we were to take your
16 recommendation or take the 750 out in areas outside the
17 footprint, where would that money go? That 750 could be
18 omitted from the request?

19 MR. PFOHL: The proposal suggests our
20 money provide a percentage of Richmond-based physicians
21 with Massey providing some of the match through Richmond-
22 based physicians. If you shift the 750,000 from two non-
23 tobacco districts Massey would have two options: find more
24 work in the Tobacco Region or find more physicians to fund in
25 Richmond, that's what you're looking at. That's the reality of

1 it.

2 MS. NYHOLM: As part of this could we
3 require Massey that the money be spent in the footprint?

4 MR. PFOHL: If that's a condition of your
5 award.

6 MS. NYHOLM: Why would staff
7 recommend we do this one time exception?

8 MR. PFOHL: The staff's policy of
9 reimbursement goes back eleven years or rather I should say
10 the Commission's policy and the Commission adopted the
11 reimbursement policy back in 2002. Any requests to
12 circumvent that policy would have to be approved by the full
13 Commission. We're suggesting that should you choose to
14 approve it and the IAT is an acronym for Interagency Transfer.
15 I've had conversations with the director of research at Massey
16 about drafting a memo of understanding what the deliverables
17 were and what the work outcomes would be reported by
18 Massey to the Commission and we would have a scope of work
19 captured in a memorandum of understanding, Massey would
20 come back at the end of the year saying this is how we used
21 the money and this is the outcomes we've gotten. That's the
22 process Massey has used with other agencies and the
23 Commission has used with other agencies to transfer money
24 by IAT over to the Virginia Economic Development Partnership
25 for the Mega Site projects. We're just offering a solution to

1 you, should you choose to accommodate Massey's request
2 that this not be done out of a reimbursement basis.

3 DELEGATE KILGORE: I feel confident we
4 could write up a memorandum of understanding.

5 MR. PFOHL: I think you'd have two
6 choices there, delegate that authority to staff or to ask to see
7 the terms of that MOU and report back to you.

8 DELEGATE KILGORE: That's what I'm
9 saying, if we can write that up and then feel comfortable with
10 it.

11 MR. PFOHL: I believe so.

12 SENATOR CARRICO: I have one
13 question, Mr. Chairman, about that. Is it my understanding
14 by reading this that a quarter of this is going to be used in the
15 footprint or Danville/Pittsylvania and –

16 MR. PFOHL: That's the way it was
17 submitted to us. One-quarter of the cash expenditures would
18 be for clinical studies in the two Tobacco Region health
19 districts.

20 DELEGATE MARSHALL: I think we also
21 previously identified that Massey already has the labs and the
22 staff in Richmond. I think we talked about that before and it
23 didn't make a lot of sense to replicate that in the Tobacco
24 Region and they do the research and the staff and labs are in
25 Richmond.

1 SENATOR CARRICO: What about in the
2 Southwest?

3 MR. PFOHL: That's primarily UVA, their
4 proposal.

5 DELEGATE MARSHALL: Any further
6 questions?

7 DR. REDWINE: Has there ever been a
8 grant by this Committee where matching funds that were
9 allowed to be spent outside the footprint?

10 MR. PFOHL: That's not a first. The
11 CCAM project comes to mind and a handful of research and
12 development projects. We had an R&D project with a match
13 that was spent in France. The staff lined up to volunteer to go
14 on that.

15 DR. REDWINE: My concern and maybe
16 the concerns of some others, we want to protect this money for
17 the footprint but as long as they're tracked and there's
18 adequate bookkeeping and I'm looking for the staff to assure
19 me that someone's going to keep up with the money and make
20 sure it goes to the Tobacco Region and then I'm fine with it.
21 These things can get confusing after a time and I want to
22 make sure we stay on top of where our money goes.

23 MR. PFOHL: One thing I can mention to
24 you in that regard, Massey's leadership is here and they said
25 they're audited not only by the state auditors but by their

1 federal sources that they receive grants from. So we're
2 comfortable our money goes into the larger Massey budget
3 being used for the purpose they tell us and get some
4 validation from their auditors and perhaps Dr. Houlihan
5 would like to address that.

6 DELEGATE MARSHALL: The benefits
7 will be spread statewide.

8 DR. GINDER: Good morning, I'm Dr.
9 Gordon Ginder, along with Dr. Houlihan who runs the
10 research operation at the cancer center and thank you for
11 having us here and thank you for all the support the
12 Commission has given us in the past. I think the question
13 revolves around how the money would be spent. We're
14 actually subject to the state auditors and we have to adhere to
15 all those requirements as well. We have the state auditors
16 coming in as well as federal auditors, National Institute of
17 Health, Department of Defense and other federal agencies that
18 actually provide the funding to the cancer center. So we're
19 audited continuously and we have the same financial system
20 that the Tobacco Commission does as far as adherence to the
21 agreements, we have to follow that.

22 MS. NYHOLM: Can you explain the audit
23 process or otherwise how we can be assured that the
24 percentage of money that goes into benefit the footprint?

25 DR. HOULIHAN: Certainly. Because of

1 the change in the Committee's recommendation, I intend on
2 working with Mr. Pfohl on a third revised budget to include
3 additional funding going down to the footprint. We use an
4 accurate tracking system, a process through Virginia
5 Commonwealth University purchasing system that governs
6 purchases. That way we have confirmation 100% for all
7 expenditures are being applied appropriately based on the
8 proposal submitted and approved by the Committee.

9 MS. NYHOLM: When you do that
10 accounting, what does that mean?

11 DR. HOULIHAN: We're working with Mr.
12 Pfohl on revising it because with the exclusion of the other two
13 health districts that we originally recommended I intend on
14 following that formula and ensuring that additional resources
15 are available and we're working in South Hill in addition to
16 Pittsylvania and Danville and Meckenburg, Henry County. We
17 have an initiative with UVA and a question came up with
18 regards to Southwest. We're in the process of developing
19 statewide clinical trials right now where our clinical trials are
20 being shared between the two NCI centers and we hope to be
21 able to bring those advances in their home areas.

22 MS. NYHOLM: So would fifty percent be
23 spent in Richmond and the other fifty percent in the footprint?

24 DR. HOULIHAN: I'm going to work with
25 Mr. Pfohl on determining what's appropriate. We have several

1 active partnerships and facilities in the footprint area that we
2 hope to expand as well and we anticipate adding more as well
3 as additional clinical trials and activities concerning cancer
4 research in the centers.

5 MS. NYHOLM: Thank you.

6 DELEGATE MARSHALL: Any further
7 questions? All right, thank you. That concludes our
8 healthcare proposals. We want to be fair here and anyone
9 that didn't get a staff recommendation or positive information,
10 if you'd like to come forward and speak feel free to do so. I
11 don't see anybody else coming forward.

12 DELEGATE KILGORE: Can we table the
13 Wellmont project until next week at our meeting in Bristol?

14 DELEGATE MARSHALL: The Chairman
15 of the Commission recommends we table 2746 until next week
16 and we'll meet in the morning.

17 DR. REDWINE: If that's a motion, I'll
18 second it.

19 DELEGATE MARSHALL: All those in
20 favor say ayes. (Ayes.) Opposed? (No response.) All right,
21 let's take the rest of the recommendations. Any motions from
22 the other applications?

23 MS. NYHOLM: I'd like to move that we
24 accept the staff recommendations on 2749 that the fifty
25 percent of those funds be spent in the footprint.

1 DELEGATE MARSHALL: Do I have a
2 second?

3 MR. SPIERS: I'll second that.

4 DELEGATE MARSHALL: We have a
5 second, any discussion or questions?

6 DELEGATE KILGORE: The only problem
7 is I'm not sure we can get that fifty percent. I know there's a
8 research opportunity.

9 DR. HOULIHAN: We're talking about
10 taking research trials into Southside and Southwest and when
11 you run that trial it actually exceeds the amount we actually
12 spend or expend for the duplication of that research. You can
13 spend hundreds of thousands on research so while we don't
14 claim every dollar will be spent in the footprint the greater
15 percentage will be spent for the citizens. One example of that
16 is clinical trials and network partners in Lynchburg. That's
17 not in the footprint per se but participate in the trials. It's
18 difficult to spend the full fifty percent in the footprint and have
19 the impact we want. I'm a physician caring for cancer patients
20 and I want to do something to affect the fact that they won't be
21 suffering. To do that effectively we need an opportunity to
22 generate the research and bring that to the people of the
23 Tobacco Region.

24 MS. NYHOLM: What percentage would
25 you guesstimate would be spent in the footprint?

1 DR. HOULIHAN: Twenty-five to thirty
2 depending on the numbers and what's taken out of the
3 budget.

4 MS. NYHOLM: We're not reducing
5 according to the motion, \$3,750,000 that was committed to
6 the footprint.

7 DR. HOULIHAN: No, the original request
8 was for five million and a lot of that was outside the footprint.

9 DELEGATE MARSHALL: Any further
10 questions?

11 DELEGATE BYRON: I move we accept
12 the staff's recommendation that was given.

13 DELEGATE MARSHALL: Do I have a
14 second? I see a second. Any discussion?

15 DR. REDWINE: Are we leaving it in like it
16 was?

17 DELEGATE BYRON: Everything that we
18 heard was that even though we're trying to reach a level and
19 we've tried that before we don't want to spend money to spend
20 money that's not going to meet the mission the research calls
21 for. If we could move their whole office here and meet the
22 requirement for being in the footprint but practically speaking
23 a lot of the equipment for research can't be moved like that.

24 DELEGATE KILGORE: I think what
25 we've got to realize is that both the VCU Cancer or Massey

1 Cancer Center and UVA and they're working on treating
2 cancer. I know many folks in my area drive to UVA to get
3 treatment because many people don't have the option to do
4 anything else. They can't replicate the research in the area
5 without moving the whole center. I think this is more a
6 protection for the Commission. We've got to make sure that,
7 these folks wanted nine million dollars, Kathy and Danny met
8 and we tried to reduce it because we didn't have nine million
9 and you can see that by the budget but it is a big concern and
10 I think it's something we need to invest in and I think these
11 trials and research will help many people and we need to look
12 at getting that information out and I hope VCU and UVA will
13 keep providing that information because I think it serves our
14 region and I think the Commission needs to step up and help
15 with this.

16 DELEGATE MARSHALL: Also, when you
17 say Lynchburg Hospital is located outside the footprint, clearly
18 outside the footprint and he also mentioned half of the people
19 they're serving come from the footprint. It's not going to be
20 realistic to move a hospital for \$3 million. So ultimately
21 people are going to be treated in the footprint.

22 DELEGATE BYRON: I know my mother
23 received her cancer treatment there before she passed away
24 and somebody recently wrote in the paper she was traveling to
25 UVA to get her cancer treatment and actually finishing there

1 and it was better for them. So when you think about
2 traveling, we're serving people in a close proximity to
3 southside even though we may not have a center located right
4 there.

5 MR. STEPHENSON: Mr. Chairman, if I
6 may, on a point of clarity for that particular grant, I
7 understand that the motion before you is that that particular
8 grant would not be issued under a standard grant agreement
9 but instead under an interagency transfer and memorandum
10 of understanding. Is that true?

11 DELEGATE MARSHALL: That's correct.
12 We have a substitute motion on the table that Delegate Byron
13 made to accept the staff recommendation. Is that correct?
14 Are there any other questions or discussion? All those in
15 favor of accepting the staff recommendation on the healthcare
16 proposals say aye. (Ayes.) Opposed? (No response.) All right,
17 now, 2746, it was moved 2746 be tabled. Now, at the very
18 end, we still have other business, page 22.

19 MR. PFOHL: In 2008, the Commission
20 provided an \$8 million grant for construction of the Southwest
21 Virginia clean energy R&D center, one of the R&D center
22 construction projects. The Committee previously extended the
23 grant to July 31st of this year. The original intended site next
24 to the Southwest Higher Education Center proved
25 problematic. The construction is moving along very well on

1 it's new site adjacent to the Alphanatural Resources corporate
2 headquarters. The Higher Ed Foundation seeks extension
3 through April 1st, 2014 to complete construction and upfit of
4 the Southwest Virginia Clean Energy R&D Center. Staff is
5 recommending approval of that extension through April 1st,
6 2014.

7 DELEGATE KILGORE: We funded that in
8 2008 and we need this research going sooner than later.

9 MR. RODGERS: I'm Ed Rodgers. The
10 Center is well along in its construction. I'm the director of the
11 Clean Energy R&D Center. I'm not actually the one
12 spearheading the building of the building. Duffy Carmac, he's
13 the CFO of the Higher Ed Center doing that but I'll be happy
14 to tell you what I do know. Duffy's done a fantastic job and
15 there's a multiplicity of issues but it's on track now.

16 DELEGATE MARSHALL: Any questions.
17 All right, thank you. I need a motion. All right, I've got a
18 motion and a second. All those in favor say aye. (Ayes.)
19 Opposed? (No response.) The staff recommendation is
20 approved. The next round of grant applications?

21 MR. PFOHL: As determined by your
22 leadership.

23 DELEGATE MARSHALL: All right. Any
24 public comment? If anyone would like to come up and tell us
25 how the world should be. All right, hearing none, thank you

1 and that concludes our business.

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PROCEEDINGS CONCLUDED.

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CERTIFICATE OF THE COURT REPORTER

1
2 I, Medford W. Howard, Registered Professional
3 Reporter and Notary Public for the State of Virginia at large,
4 do hereby certify that I was the court reporter who took down
5 and transcribed the proceedings of the **Virginia Tobacco**
6 **Indemnification and Community Revitalization**
7 **Commission Special Projects Committee meeting when**
8 **held on Monday, September 16, 2013 at 10:00 a.m. at the**
9 **Sheraton Roanoke Hotel & Conference Center in Roanoke,**
10 **Virginia.**

11 I further certify this is a true and accurate
12 transcript, to the best of my ability to hear and understand
13 the proceedings.

14 Given under my hand this 21ST day of
15 September, 2013.

16
17 _____
18 Medford W. Howard

19 Registered Professional Reporter

20 Notary Public for the State of Virginia at Large

21
22 My Commission Expires: October 31, 2014.

23 Notary Registration Number: 224566